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SUBJECT: Uruguay: President-Elect Mujica Courts Business Community

REF: MONTEVIDEO 23 AND PREVIOUS

Summary

¶1. (U) On February 10, President-elect Jose Mujica made a dynamic and much-applauded presentation on why to invest in Uruguay to a large crowd of businesspersons. Speaking to an international crowd in the resort city of Punta del Este, Mujica emphasized that his administration would work hard to ensure the continuation of Uruguay's open and positive investment climate. He included a form on each table via which potential investors could make arrangements to contact appropriate officials in his government, a mechanism that reportedly has encouraged over 150 companies to respond positively. End Summary.

A Promise to Protect Business Interests

¶2. (U) President-elect Jose Mujica sent a strong signal to the foreign business sector February 10 by issuing a rallying call for increased investment and production. Addressing over 1,500 international businesspeople during a charity lunch at a resort hotel, Mujica, flanked by vice president elect Danilo Astori, and with his entire cabinet on stage, emphasized that Uruguay is keen to support new investment, and he welcomed investors to come and live in Uruguay.

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¶3. (U) Mujica's message of fiscal prudence and openness to foreign investment drew an enthusiastic response, tamping concerns among many in the audience that Mujica may prove vulnerable to the ideological currents of the more radical elements of his leftist Frente Amplio coalition. Mujica was typically direct, reassuring the attendees that he wanted the country to prosper from what he anticipates will be gains in employment and state revenue resulting from greater investment, stating "Investment is necessary for entrepreneurs to create jobs." Specifically promising no expropriations, he said, "we're not going to take you over or double your taxes." He also said that, far from "killing the goose that lays the golden eggs," his administration would do everything it could to minimize risks while maximizing stability. In explaining his vision of the relationship between state and the private sector, Mujica cited his own proposal to revive the country's railroads, remarking that "the government has to build the rails, but then the private sector takes over."

¶4. (U) Astori preceded Mujica's presentation by reiterating the investment-friendly aim of making Uruguay "more open to the world." He also responded to the event's declared theme "Business in the National Project of Development and Poverty Reduction" by promising that increased investment would support the "network of social protection . . . that will create permanent new opportunities for those that most need them." In keeping with this aim, the USD 100 cover charge for the lunch raised USD 102,000 for the local hospital.

Relations with Argentina Already Improving?

¶5. (U) The lunch was arranged by the Uruguay-Argentina Chamber of Commerce, but the audience was packed with businessmen and women from Brazil, Chile, Paraguay and Venezuela, as well as the U.S., Israel, Germany, Belgium, Italy, Spain and China, among other countries. Mujica, however, was careful to pay particular attention to the 400 Argentines in attendance, and highlighted the need to maintain strong links between the two neighbors. He struck an upbeat note regarding the ongoing Botnia pulp mill dispute, remarking that "we are willing to solve the situation" and that, furthermore, "it will be solved soon." Mujica also made sure to

reference what many perceive as his special relationship to Argentina, declaring that "I never feel I am a foreigner when I visit Entre Ríos or Buenos Aires." Also in the audience were high ranking officials from the Blanco and Colorado parties, a delegation from the Uruguayan PIT-CNT umbrella union, and members of the diplomatic corps.

¶6. (U) The event was not only enthusiastically applauded and widely reported, but has also proved potentially productive. In less than 24 hours, the future administration has received over 150 requests for meetings on possible investment projects. Among the projects under consideration is a proposal by Argentinean businessman Daniel Mazzucchelli to construct a USD 20 million high-end hotel on Uruguay's popular Maldonado coast, while another Argentine company (backed by Spanish investors) has expressed interest in a USD 100-200 million renewable energy project. The latter indicated that they hope to be talking with the future administration at the end of the month.

Comment

¶7. (SBU) Mujica hit a home run, in reassuring the business community and reaffirming the message that Uruguay welcomes investors. The strategy of engaging the Argentine private sector is a wise one, as it underscores for both countries the importance of working out the Botina dispute once and for all. On the cautionary side, while Mujica seemed sincere in his pro-investor concepts, implementation may require compromise with less business friendly coalition partners-- where that "balancing" with the left will show up remains to be seen. End comment.

Nelson